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Regulation and supervision of insurance operations: analysis of responses to a questionnaire and possible elements for establishing an effective insurance supervisory authority

Background information by the UNCTAD secretariat

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INTRODUCTION

1. This note has been prepared to provide additional information on the topic of regulation and supervision of insurance operations in developing countries in the context of liberalization of insurance markets. It should be considered as a corollary to the UNCTAD secretariat study "Establishment of effective insurance regulatory and supervisory systems" (TD/B/CN.4/52).

2. The note summarizes the results obtained from a questionnaire which was sent to the bodies in charge of insurance supervision in developing countries. The results are based on responses from 42 countries (18 African, 12 Asian and Pacific, 10 Latin American and two European developing countries). It also provides suggestions for the establishment of effective supervisory authorities.

3. The first five sections of this note are structured along the lines of the questionnaire itself. The introductory section seeks to assess the degree of agreement on the basic rationale for supervision of insurance services. The second section on laws and regulations evaluates the importance of the different duties carried out by supervisory authorities. The third section, on regulatory practices, centres on possible problems encountered by supervisory bodies in monitoring insurance operations. The fourth section, on human resources, provides indications on recruitment and training policies of supervisory authorities. It also identifies the elements that makes employment with a supervisory body attractive. The fifth section covers the scope of responsibilities (whether supervisory functions are limited to insurance or also oversee other financial services) and the financing of reporting bodies. The last section lists elements for establishing an effective insurance supervisory body, including elements related to the powers and organization of such bodies, human resources aspects and cooperation between supervisors.

Chapter I
REASONS FOR SUPERVISING INSURANCE ACTIVITIES

A. Basic rationale for supervision of insurance services

4. The following three basic elements are the rationale for the supervision of insurance operations, according to the responses given in the questionnaire:

(a) Protection of the insurance consumer;
(b) Safety and soundness of insurance companies; and
(c) The importance of insurance in the process of economic growth.

5. All responding countries agreed that the above three elements constitute the main reasons for supervizing the insurance industry. However, they differed as to the degree of importance attached to each element. Of the respondents, 59 per cent believed that all were equally important, 17 per cent believed that

Table 1

Basic rationale for supervising insurance by importance (9 countries)

	Number of citations		
	Protection of consumers	Safety and soundness of insurers	Role of insurance in economic development
Most important	4	3	2
Second in importance	3	5	1
Third in importance	2	1	6

they were to some extent equally important, while 24 per cent deemed them not equally important. Nine countries ranked the importance of each rationale in differing orders as shown in table 1.

6. In addition to the above, the following were also cited as reasons for supervising the insurance industry:

- Improve market efficiency
- Preserve the stability of the financial system
- Moral obligation
- Informative obligations
- Upgrading of professionalism of the insurance industry
- Observance of regulations

7. From the above, it appears that there is consensus on the main reasons for supervising insurance operations, they include:

- **Protection of the insurance consumer**
- **Safety and soundness of insurance companies**
- **Role of insurance in economic development**
- **Market efficiency**
- **Stability of the financial system**

Although they differ in importance, certainly the protection of insurance consumers and securing the long-term reliability of insurance services providers have to be singled out as the main motives for regulating and supervising insurance activities.

B. Impact of guarantee funds and self-regulations

8. To the assertion: "If the insurance industry (as a whole) is responsible for paying the unpaid claims of insolvent insurers, it can be argued that the insurance regulator has little incentive aggressively to monitor solvency", the reaction was as follows:

- 26 % of respondents agreed with the statement;
- 24 % of respondents agreed to some extent;
- 50 % of respondents did not agree.

9. To the statement: "If there were no government regulation of insurance, do you think an industry (privatized) system of self-regulation would work?" the responses were as follows:

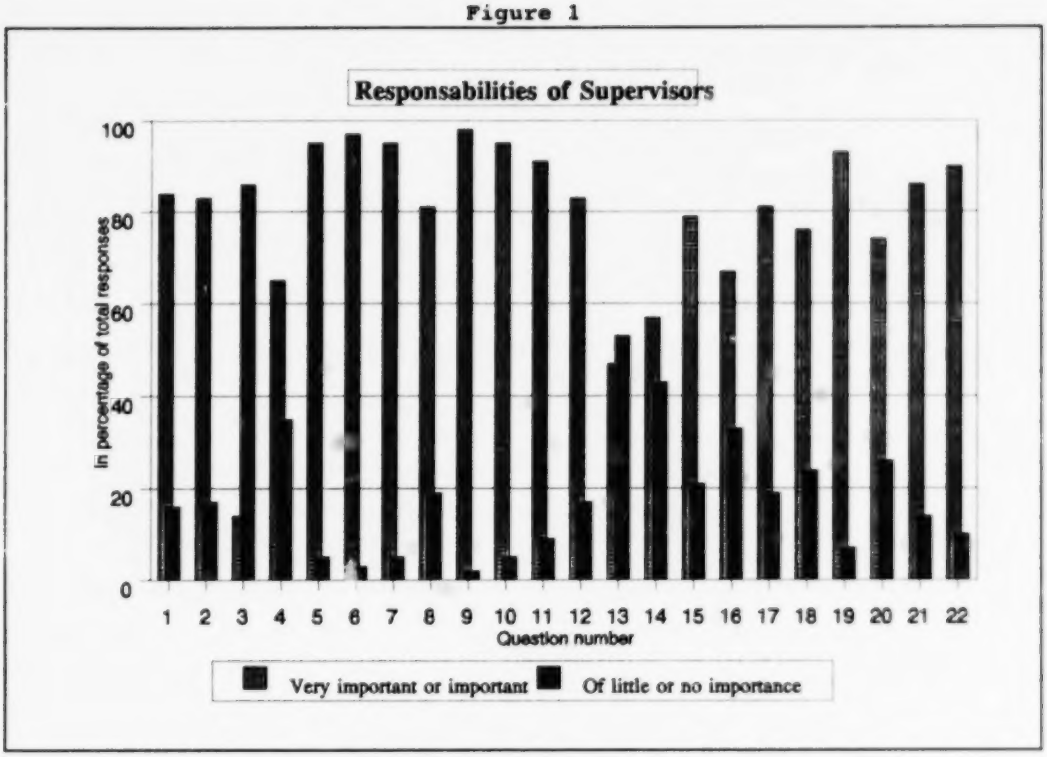
7 per cent - yes;
33 per cent - to some extent;
60 per cent - no.

10. While industry-based self-regulatory or guarantee systems may add to the security profile of the sector as a whole, they do not seem to constitute an alternative to in-depth monitoring by the State. They are nevertheless useful tools for complementing effective supervisory frameworks.

Chapter II
SCOPE OF INSURANCE SUPERVISION

11. In the second part of the questionnaire (laws and regulations), a series of 22 questions were devised to evaluate the importance of each of the tasks under the responsibility of supervisors. Figure 1 shows the list of responsibilities and their respective rate of importance as perceived by responding bodies (40 countries).

Figure 1



Question list on the importance of the different responsibilities of insurance supervisory authorities:

1. Powers of granting licences to companies
2. Licensing of intermediaries
3. Powers to withdraw authorization
4. Approval of insurance policies
5. Require insurers to maintain acceptable financial records
6. Authority to require additional capital
7. Examination of insurer's books and records
8. Authority to examine the records of affiliated companies or agents
9. Determination of minimum standards liabilities and reserves
10. Evaluate the quality of insurer's assets
11. Maintenance of a diversified investment portfolio
12. Determination of admitted, authorized or allowed investments (assets)
13. Require prior approval for premium rates (tariffs)
14. Control management expenses and acquisition costs
15. Control reinsurance transactions
16. Impose retention minima and maxima
17. Registration of reinsurance companies
18. Impose reserves for reinsurance with non-registered reinsurers
19. Impose management fitness requirements
20. Make sure insurance is available and affordable
21. Educate consumers about insurance matters
22. Make reliable information on insurers available publicly

Based on responses received, table 2 shows the different responsibilities by order of decreasing importance and grouped under (a) most important, (b) important and (c) less important areas.

Table 2

Ranking of supervisor's responsibilities		
Question number	**Most important**	Rated as very important by per cent of respondent
5	Require an insurer to maintain acceptable financial records	95
9	Determine minimum standards for the establishment of liabilities and reserves	93
1	Have discretionary powers in the granting of licences to companies	87
6	Have the authority to require additional capital and surplus	83
10	Evaluate the quality of insurers' assets	83
19	Make sure insurers and reinsurers are competent, able and willing people	81
7	Examine the insurer's books and records	81
22	Make sure accurate and reliable information from insurers is available publicly	79
	Important	
3	Have discretionary powers to withdraw authorization	67
2	License also intermediaries (agents, brokers)	64
12	Determine those assets (investments) that may be admitted, authorized or allowed	64
21	Educate consumers about insurance matters	62
20	Make sure insurance is available and affordable	60
11	Require a company to maintain a diversified investment portfolio	57
	Less important	
18	Impose reserves for reinsurance with non-registered reinsurers	43
4	Approve insurance policies (contracts)	36
8	Have the authority to examine also the records of affiliated companies or agents	36
17	Encourage registration of reinsurance companies	33
15	Control reinsurance transactions	29
14	Control management expenses and acquisition costs	24
16	Impose retention minima and maxima	19
13	Require prior approval for premium rates (tariffs)	14

12. Responsibilities can be grouped under specific areas. In order of their respective average rating (very important or important), priority areas of supervision can be determined as follows:

(a) "Financial soundness of insurance companies" (group of questions 6, 9, 10, 11 and 12) - rated as very important or important by 93 per cent of respondents;

(b) "Management fitness of insurance and reinsurance companies" (question 19) - rated as very important or important by 93 per cent of respondents;

(c) "Examination of insurers, affiliates and intermediaries, books and records" (group of questions 5, 7, 8) - rated as very important or important by 90 per cent of respondents;

(d) "Licensing and registration of insurance companies and intermediaries" (group of questions 1, 2, 3) - rated on average as very important or important by 84 per cent of respondents;

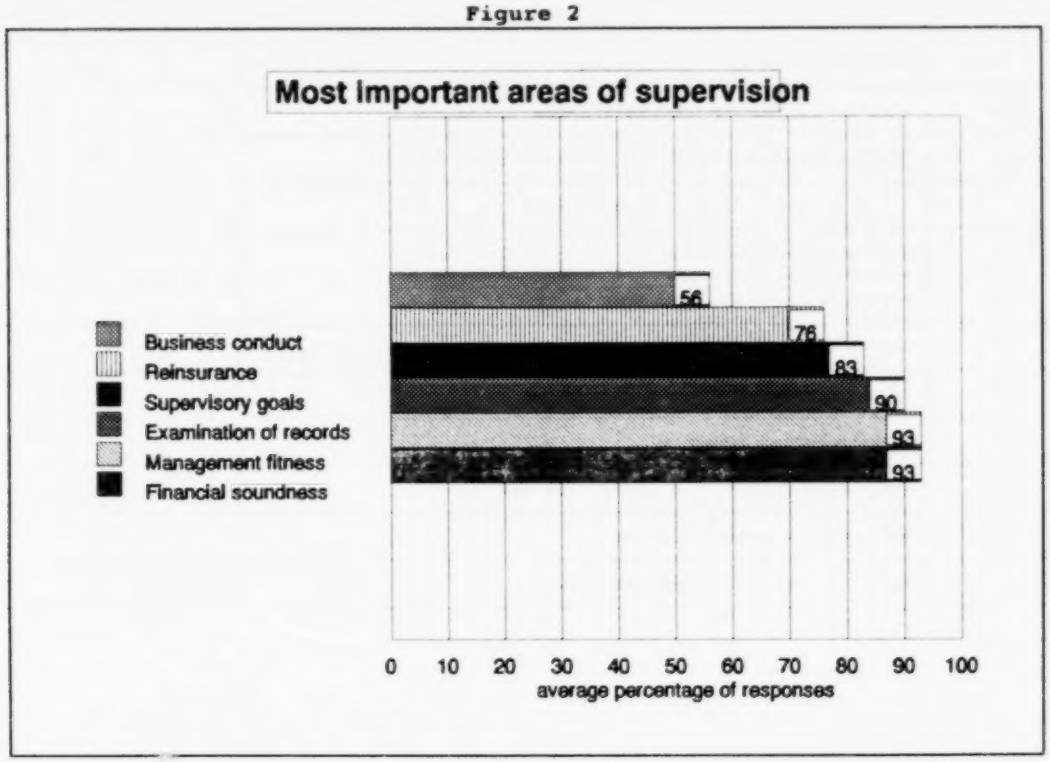
(e) "General supervisory goals" (group of questions 20, 21, 22) - rated on average as very important or important by 83 per cent of respondents;

(f) "Reinsurance matters" (group of questions 15, 16, 17, 18) - rated on average as very important or important by 76 per cent of respondents;

(g) "Approval of terms and conditions of insurance contracts and on control of management and acquisition costs (business conduct) (group of questions 4, 13, 14) was rated on average as very important or important by 56 per cent of respondents.

Figure 2 summarizes these results:

Figure 2



13. The areas viewed as most important by respondent centre on monitoring the financial solvency of insurance entities. The screening of management ability to conduct insurance business has also been perceived as very important. Both the analyses of accurate returns and on-site company inspections are deemed fundamental tools for monitoring companies. Supervision of reinsurance-related operations received generally a lower priority rating. While the setting of proper reinsurance programmes is viewed as essential, the details of each and every reinsurance contract are considered the responsibility of company managers. Prior approval of rates, terms and conditions of insurance policies, monitoring of management expenses and commission cost (all business-conduct-related matters) have, in the view of respondents, lowest priority. In regard to many developing countries, this finding certainly constitutes a departure from former regulatory practices. It coincides with the introduction of greater competition and concomitant freedom in business conduct.

Chapter III
REGULATORY PRACTICES

14. The section of the questionnaire on Regulatory Practices was intended to identify the possible problems encountered by supervisory bodies. Table 3 shows the responses to the series of eight questions.

Table 3

Regulatory practices			
Questions		Answers (percentage of total responses)	
		Yes	No
1	Do you require all companies to file the appropriate annual statement blank on a timely basis?	100	
2	Do you have sufficient financial analysts on your staff to review the financial statements as well as other information and data at least annually?	43	57
3	Do the financial analysts have the appropriate background to enable them to discern an insurer's potential or actual financial problem?	63	37
4	Are potential and actual problem companies reviewed and examined more frequently?	75	25
5	Do you require annual audits of domestic companies by independent certified accountants?	75	25
6	Do you require the opinion of a qualified actuary on the statutory reserves of the companies?	60	40
7	When a domestic company is identified as being in hazardous financial condition, should this be communicated to insurance departments in jurisdictions in which the company transacts business?	81	19
8	When a foreign company is identified as being in a hazardous financial condition in your market, should this be communicated to the domiciliary insurance department of the company?	91	9

15. It seems that responding supervisory bodies have the regulatory power to require proper financial returns (see response to question 1). However, the majority of them do not have sufficient experienced and trained analysts to assess the information on the financial position of companies (questions 2 and 3). A number of supervisory authorities do not direct their resources optimally as 25 per cent of responding bodies mentioned they would not review more

frequently problem companies (question 4). Certification of accounts by external auditors is not yet an universal practice, possibly because of the lack of such requirement in law or because of insufficient numbers of qualified accountants in the respective countries (question 5). Regarding actuarial opinions on statutory reserves, only 60 per cent of responding countries required them. The lack of qualified actuaries in developing countries is a well-known constraint inhibiting the proper development of insurance (question 6).

16. While the great majority of insurance commissioners are prepared to communicate to their counterparts in other countries, financial solvency problems encountered by companies under their jurisdiction, 19 per cent are still reluctant to do this in regards to domestic companies operating in other countries. In this respect, the international character of insurance should be stressed and increased communication among supervisors can only be promoted. The stability of insurance markets and security of single players can only be enhanced through cooperation among regulations (questions 7 and 8).

Chapter IV
HUMAN RESOURCES

17. The key to effective supervision lies with the expertise and professionalism of the staff of supervisory authorities. In a number of countries, insurance commissioners find it difficult to hire, train and retrain the necessary qualified staff. Lack of available qualified people in their respective markets, uncompetitive employment conditions, inadequate budgets for training, attractiveness of private sector jobs are often cited to explain the deficit in educated and experienced staff. Very often, however, the main problem is that insurance commissioners are not devising proper resources development strategies (strategic planning). In some countries, heads of supervisory bodies have been able to convince their Governments of the importance of their function for securing the stability of financial markets. Only in those cases were adequate resources made available to supervisory authorities. Budgetary considerations aside, a proper strategy also includes hiring criteria, policies for formal continuous training and creating job satisfaction (see also paragraphs 38 to 43 below). Table 4 shows the proportion of supervisory bodies that have devised employment criteria commensurate with job requirements and training policies.

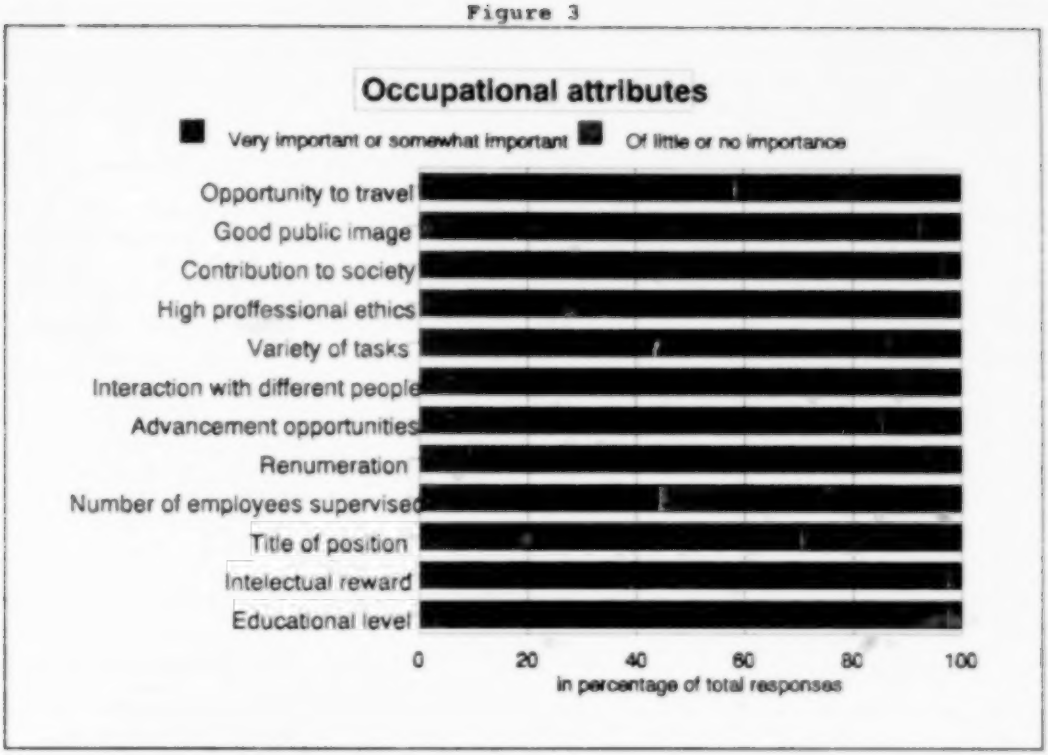
Table 4

Human Resources			
	Questions	Yes	No
1	Does your department have established minimum educational and experience requirements for staff which are commensurate with the duties and responsibilities of their position?	67%	33%
2	Does your department have a formal continuing education policy in place for staff positions in the financial surveillance and regulation area?	45%	55%

18. To best perform their functions with a given potential, commissioners have to direct available resources towards priority areas (i.e. diverting most of their resources on problem companies instead of losing too much time on routine monitoring). In this respect proper computerization can help reduce substantially time and resources used for "small impact" routine monitoring tasks.

19. The features of an occupation with a supervisory body are often unknown or poorly marketed. The "job profile" can be very attractive, figure 3 shows the elements of attractiveness viewed as important by responding bodies.

Figure 3



20. The occupational features perceived as most important have all an intangible nature (Educational level, intellectual reward, high professional ethics and contribution to society). Remuneration level comes only in fifth position. The job attributes seen as least important include managerial responsibilities (Number of employees supervised) and travel opportunities. The ideal profile of a staff employed in supervisory functions should include a good educational background (University degree), professional qualification (CII associateship level) and high moral ethic. An analyst (mainly desk work) would in addition to technical competence need to be able to work in a team and possess computer abilities. For an inspector, (field based work) versatility, ability to work independently and good investigation skills are required.

Chapter V

SECTORS SUPERVISED AND FUNDING OF A SUPERVISORY AUTHORITY

A. Sectors supervised

21. Under the concluding part of the questionnaire, regulators were asked whether Insurance only or also other financial sectors fall under their supervisory responsibilities. Table 5. shows the proportion of surveyed bodies supervising the different financial sectors.

22. In the majority of countries (74 per cent) responding regulatory authorities have as sole responsibility the supervision of the insurance sector (including insurance intermediaries and reinsurer). In some countries (7 per cent) the duties of bodies include the monitoring of insurance related saving instruments and in same cases capital markets. In recent years a new trend has emerged towards grouping the supervision of all financial services (including banking) under one responsible entity. The reason is that the traditional clear legal separation between banking and insurance is fading: i.e. commercial banks

are allowed to offer certain types of insurance products and insurers in turn can provided several bank related services (Cash and saving accounts, credit cards...). However, even if grouped under one body, banking and insurance supervisory techniques do differ substantially. Supervision of each sector should be separated and only where overlapping occur should reconciliations be made.

Table 5

Financial sectors supervised	
Sector supervised	percentage of total responses
Insurance only	74
Insurance and banking	8
All financial intermediaries	11
Other (Pension, Mutual, Provident and Benefit Funds, Savings and Capital Markets	7

B. Funding of a supervisory body

23. Table 6 shows the proportion of supervisory department funding sources of responding bodies.

Table 6

Funding of supervisory authorities	
Funding sources	percentage of total responses
General revenue (taxation)	57%
Fees charged to the regulated companies	27%
A combination of both	8%
Other*	8%

*Central bank funds and bilateral aid were cited

24. Most of the supervisory authorities surveyed are funded through the general state budget (57 per cent), an obvious source of funding for a public administration. In many countries state budgets are very tight and sufficient resources cannot be made available for the establishment of an efficient supervisory body. It could also cause conflicts in regards to the necessary independence of such a body. Alternate financing mechanisms have been devised in some countries. They are often based on the principle that the cost for a service has to be entirely borne by the end-user (final consumer). Because the main goal of supervising the insurance industry is to protect the insurance consumer, it was felt that a levy on premiums could secure the financing of supervisory bodies. In this way, the independence of the authority is preserved and its resources maintained proportional to the development of the insurance industry. The levy should be small so as not to hamper growth of the sector. In order to reduce the cost to consumers, mixed systems of financing combining state budget resources and levies on premiums are also put in place. The rationale for this is that the general public, as a third party to insurance contracts, also benefits from the supervision of the sector.

Chapter VI
ELEMENTS FOR ESTABLISHING AN EFFECTIVE INSURANCE SUPERVISORY AUTHORITY

A. Powers and organization of supervisory authorities

1. Powers of enforcement

25. To perform their duties properly, supervisory authorities should have autonomy of action and be free from any interference by political or other groupings. They should also be shielded from politically biased action by the Government. The commissioner heading the supervisory body should have direct access to the Minister responsible for the sector in question.

26. To be respected, the authority should have the power to take rapid remedial action against any insurers that fail to comply with the rules of financial security. The soundness of an insurer can in most cases only be established from a variety of sources. The returns, results of inspections, and public complaints constitute the factual elements of an assessment.

27. In addition, supervisory authorities should obtain as much information as possible concerning the true situation of all insurers and indeed the whole insurance sector's affairs. This can be achieved through continuous formal and informal consultations with individual insurers and with associations representing parts or the whole of the industry.

28. The supervisory authority should be the focal point within the government for all matters concerning insurance and should have a dynamic influence on the evolution of the insurance industry. Regulatory bodies may not only be responsible for monitoring the reliability of insurance businesses but could also play an important role in the development and growth of the insurance industry. The supervisory authority after, consultation and negotiation with all concerned players, may propose new laws and regulations affecting insurance.

2. Organization of a supervisory authority

29. The organizational structure of a supervisory body usually reflects its main responsibilities. Based on the duties described in the present document, a supervisory office could comprise the following functions (monitoring of non-life and long-term companies being usually separated):

- The financial analysis function, with licensing, analysis and inspection;
- The market conduct function, with monitoring of business conduct, rates, terms and conditions of policy forms;
- The intermediaries licensing and monitoring function;
- The consumer assistance function, with public complaints and consumer education;
- Support functions in charge of budgets, administrative duties and computer management; which may be separate or integrated within the operating function.
- The monitoring of reinsurers could be handled under the financial analysis function.
- In view of the role regulators could play in the development of rules and new legislation, it would be advisable to engage skilled staff in a special research unit for this task. Market research and investigation of fraud cases could also be handled under this function.

30. This functional structure should not be considered as a model for an organizational structure. Each regulator should structure its office to carry out its duties most effectively. However, to maximize the flow of information

among the different units and to be able to assess the "true state of affairs" in the industry, the organizational chart needs to be as horizontal as possible. There should be on-going communication at all levels between and within the different units of the office.

3. Directing regulatory resources

31. The bases for establishing an efficient body are (a) good planning and (b) proper allocation of resources. Accountability and cost-consciousness among staff are also necessary. Often too much time is devoted to scrutinizing healthy companies (over-auditing) which diverts attention and resources away from the real problem entities. The financial analysis process should provide for a rapid identification of the companies that have, or are likely to have, difficulties and most resources should then be targeted towards careful checking of such entities. In planning staff allocation, skills should match the complexity of assignments, new recruits should be assigned to assess "good companies" under the supervision of senior staff.

4. The financial analysis process

32. The financial analysis process comprises both desk analysis of returns and on-the-spot inspections.

5. Desk analysis

33. The basic tool for analysing an insurer's financial soundness consists of checking mandatory and other returns from the company. These comprise, inter alia, balance sheets, operating accounts, revenue accounts, profit and loss accounts, detailed reporting of technical reserves, assets statements with their valuations and solvency ratios. There should be strict rules governing the timely submission of returns as well as their assessment by authorities so as to make monitoring of returns effective and relevant. The format of these returns should be such as to enable the authorities to carry out their analysis efficiently. Returns should be sufficiently detailed, as the financial analysis may entail the calculation of a great number of ratios to provide a check of many different financial aspects. As mentioned before, the time-frame is of the utmost importance since the financial situation of an insurer may deteriorate very quickly, especially if the entity is already in trouble. Adequate analysis and quick response may prevent further deterioration. Supervisory bodies of developing countries have difficulty in achieving timely and efficient assessment of returns, mostly owing to lack of trained human resources. However, today, with data processing technologies and automation, the time factor may be more manageable.

6. Company inspections

34. In most countries, supervisory authorities are empowered to carry out on-site inspections in insurers' offices. This is a very valuable method whereby authorities can verify the information provided to them and obtain additional up-to-date information from an insurer. These inspections may be carried out periodically or without forewarning. To be effective, inspectors from supervisory authorities should have access to any relevant document. Inspections may be quite extensive or targeted at specific operations only. The results of these inspections are usually confidential, with findings and conclusions contained in a report to the head of the supervisory authority. In many countries, after review by the head supervisor and discussion with the concerned company, the report is made public for transparency and information purposes. Inspections should be carefully planned in advance. Companies' problem areas and weaknesses have to be identified before conducting on-the-spot investigations. Inspectors should know what they are looking for, both in terms of documentation and management interviews. Also, a time-frame and budget should be established before undertaking an inspection. During the actual investigation of a company, inspectors should not waste too much time on easy items nor should they be forced to rush through difficult or important matters such as reserving and reinsurance programmes.

35. In the course of a financial analysis procedure both desk analysis and inspection should be integrated so as to promote interchange of information and enhance investigation capabilities.

7. Funding of a supervisory authority (budget)

36. To safeguard its independence and effectiveness, a supervisory body should secure a reliable and stable source of funding. Resources made available to supervisory offices should be commensurate with the size of the industry it is monitoring. The regulatory body's budget should be easily adjustable to match the growth of the insurance sector and new responsibilities. Possible sources for funding include state taxes (general revenue), levies on premiums or on supervised undertakings, multilateral and bilateral aid and, in some cases, the Central Bank budget.

37. In many developing countries, the state budget is stretched so that sufficient resources cannot be made available for the establishment of an effective insurance regulatory body. In this context, it is advisable to resort to levies on premiums or on the industry. These levies should be reasonable so as not to hamper the development of the sector. Additional sources of funding could include charges for inspections, fees for services (information and database for industry and consumers), fines for violations, use of insurer proceeds from rehabilitations and liquidations for receivership support. Sub-contracting to external entities (auditing and actuarial consultancy firms) could also be envisaged so as to use available resources more effectively. Whatever the source of funding, supervisory authorities should be accountable for the resources made available and be obliged to report publicly and regularly on their performance.

B. Human resources development

38. The effectiveness of a supervisory body mainly depends on the human resources at its disposal. When a regulatory office is being established or strengthened, human resources development is of critical importance. At the hiring stage, qualifications, especially insurance knowledge, should be carefully considered. Clear criteria that match qualifications and experience to job requirements have to be established. For example an inspector's post calls for the ability to work independently, and a strong character may be required. On the other hand a post at headquarters may primarily require the ability to work as part of a team. Integrity and honesty are essential for all posts within a supervisory body.

39. To keep up with the times, on-going training and re-training of key personnel is a necessity. It is essential for employees to maintain the same or exceed the competence levels of private industry colleagues. Career perspectives and employment packages need to be made attractive to avoid high staff turnover, which is a problem in a number of developing countries because of discrepancies in employment conditions between the State and the private sector. "Binding training programmes" might be offered whereby education and training is paid by the employing body or the government on condition that trainees serve within the regulatory department for a minimum specified period of time or else reimburse the training expenses incurred.

1. Training strategies

40. The training of staff of supervisory authorities has to be differentiated from the training programmes addressing the needs of the insurance industry. The programmes offered by the insurance institutes of developing countries or of developed countries (including correspondence courses) provided for the industry are of great value to supervisory staff, especially at a junior level, for acquiring basic knowledge of insurance principles, market practices and administrative functions. They do not, in most cases, provide the necessary specific training for regulation, however. This is mainly because the number of professional staff in most developing countries' supervisory bodies are in total between 10 to 30 people. Worldwide only very few structured training programmes

are offered, and mainly in the United States of America. The overall cost for attending such training programmes may be considered too high for number of developing countries. Considering the limited number of people involved and so as to achieve economies of scale, cooperation in training on a regional or sub-regional basis would highly advisable.

41. Training programmes should consist of both theoretical and practical aspects. Seminars held on a sub-regional basis could impart theoretical knowledge; they should not, however, consist of "one time" events. A first seminar providing a general overview on the whys and wherefores of supervision should be followed by seminars addressing specific areas, such as reserving or particular lines of business, such as motor insurance, and of course always from a supervisory perspective.

2. Practical training

42. Practical training is more difficult to organize on a systematic basis. In most developing countries, supervisory bodies have been entrusted only recently with the responsibilities that their counterparts in developed countries have been fulfilling for a long time. Therefore, very few bodies in these countries have developed the necessary in-house training expertise. Detachments to established offices could be most beneficial. However, this type of training requires considerable time and commitment from the host entity. Also, if the environment and market conditions of the host country are too differing from those prevailing in the trainees country, the knowledge gained may be of little relevance for trainees in their day-to-day jobs. Cost (travel and subsistence) is also a concern.

43. The staff that have gone through the training programme suggested above (diploma in insurance, regional seminars, temporary detachments, etc.) and have accumulated sufficient on-the-job experience should build up in-house training programmes so as to provide their more junior colleagues with cost-efficient and tailored training. They could be assisted in this by using "training the trainers" programmes, distance learning media aids and exchange of experiences with other regulators.

C. Cooperation among supervisors

44. The international nature of the insurance business requires that supervisors have constant contacts with their counterparts in other countries. The increasing complexity of insurance and its operating structures has rendered an assessment of the security profiles of international players more difficult. Greater dialogue among supervisory authorities is necessary to amass more complete information on the security profile of insurance undertakings operating in more than one country. Fraud is also a concern and in cases of fraudulent activities of an international character, only adequate cooperation between supervisors could help keep a check on such operations. Building of formal or informal communication paths or networks should receive high priority. In developing countries, it is still difficult to access information on terms and conditions in international markets. In this respect, supervisory authorities may play the role of a focal point for improving market information.

45. One of the areas in which international cooperation between supervisory authorities could usefully be developed is the harmonization of insurance laws, regulations and practices. In order to have more efficient international and national markets a move towards more standardized practices seems to be essential.

46. Another area where international cooperation could create considerable economies of scale is in the area of training (see paragraphs 40 to 43). A number of associations and forums have been established to promote exchanges between supervisory bodies. These include the International Association of Insurance Supervisors, with membership composed of regulators from developed countries, developing countries and countries in transition. At a regional level, there is the Association of African Supervisory Authorities, established under the

auspices of the African Insurance Organization; the Association of ASEAN Insurance Commissioners, and the Caribbean Association of Insurance Regulators. Latin American countries have also established an association. Under the umbrella of the Third World Insurance Congress, the Association of Insurance Supervisory Authorities of Developing Countries has been established at the second Third World Insurance Congress.